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Xunlei tumbles as cryptocurrency worries swirl

Munsif Vengattil



(Reuters) - Shares in Chinese technology company Xunlei Ltd sank 12 percent on Tuesday, taking falls in the stock past 40 percent in two weeks as investors debated whether the company is set to benefit or suffer from a boom in cryptocurrency stock plays.



FILE PHOTO - Hard disks are pictured inside a server room at a company in Bangkok, Thailand, April 5, 2016.
REUTERS/Athit Perawongmetha/File Photo

Xunlei shares mushroomed six-fold in value after the company introduced its “Wanke coin mining” cryptocurrency project on Oct. 12, making it one of the raft of small listed firms to boom this year as bitcoin and other cryptocurrencies surged in value.

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Xunlei, one of China’s top 30 new tech stocks over the past decade, last week sought to distance itself from the idea that Wanke tokens to be issued on its platform will be traded speculatively on other trading venues.

“Wankebi is a kind of digital asset and can be used on the company’s internet properties and should not be traded on other transaction platforms,” Xunlei said on Wednesday.

One senior Beijing-based legal expert on China’s clampdown on cryptocurrencies and Initial Coin Offerings (ICO), Renmin Law School Vice-Dean Yang Dong, said the company’s digital coins were still likely to wind up being traded on secondary markets.

“Even though Xunlei has repeatedly said that OneCoin has nothing to do with ICOs and that it doesn’t conduct trading on a trading platform, in reality (if) OneCoin can be transferred between user accounts it is unavoidable that a third-party platform provides OneCoin trading services,” he said.

Dong said future development of Xunlei’s blockchain technology had the potential to run up against regulatory red lines in China, which formally banned and deemed illegal the practice of raising funds through launches of token-based digital currencies on Sept. 4.

Concern over that issue, and infighting with sister company Shenzhen Xunlei Big Data Information Services Company in which it holds a 29 percent stake, have encouraged the volatility of the stock.

“(On) the regulation of this area in China, I have concluded that there is no clarity about what is and is not permitted,” said another bitcoin expert David Yermack, a professor at the New York University Stern School of Business.

“When the Chinese ‘banned’ initial coin offerings in September, they stated that ‘illegal activities’ would no longer be permitted, but did not spell out what those activities are.”

Reporting by Munsif Vengattil in Bengaluru; editing by Patrick Graham

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